



J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

December 7, 2007

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *[Signature]*
Auditor-Controller

SUBJECT: **CITY OF HAWTHORNE SOUTH BAY WORKFORCE INVESTMENT
BOARD CONTRACT – A COMMUNITY AND SENIOR SERVICES
WORKFORCE INVESTMENT ACT PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of the City of Hawthorne South Bay Workforce Investment Board (South Bay WIB or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracted with South Bay WIB, a government organization to provide and operate the WIA Adult and Dislocated Worker Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. South Bay WIB's offices are located in the Second and Fourth Districts.

South Bay WIB is compensated on a cost reimbursement basis. South Bay WIB's contract was for \$195,042 for Fiscal Year 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether South Bay WIB complied with its contract terms and appropriately accounted for and spent WIA funds in providing services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and

"To Enrich Lives Through Effective and Caring Service"

County guidelines. In addition, we interviewed a selected number of the Agency's staff and clients.

Results of Review

Overall, South Bay WIB provided the program services to eligible participants and the Agency maintained sufficient internal controls over its business operations. In addition, the seven participants interviewed stated that the services they received met their expectations. However, South Bay WIB did not always comply with WIA and County contract requirements. For example, South Bay WIB did not:

- Report the program activities for one (5%) of the 20 participants sampled in the Job Training Automation (JTA) system.
- Sign the bank reconciliations to document their review.
- Obtain a criminal clearance for all five employees assigned to the WIA program.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with South Bay WIB and CSS on October 30, 2007. In their attached response, South Bay WIB indicated that the participants' program activities were reported on the JTA system at the time of the on-site monitoring visit. However, South Bay WIB did not report all the participants' activities, such as supportive services, at the time of our on-site monitoring visit.

South Bay WIB no longer contracts with CSS to provide WIA services. Prior to contracting with South Bay WIB in the future, CSS needs to ensure that South Bay WIB implements the recommendations contained in this report. We thank South Bay WIB for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Jan Vogel, Executive Director, City of Hawthorne South Bay WIB
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
CITY OF HAWTHORNE SOUTH BAY WORKFORCE INVESTMENT BOARD
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether the City of Hawthorne South Bay Workforce Investment Board (South Bay WIB or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 20 (33%) of the 60 Adult and Dislocated Worker participants that received services from July 2006 through April 2007 for documentation to confirm their eligibility for WIA services.

Results

All 20 participants sampled met the eligibility requirements for the WIA Programs.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether South Bay WIB provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 20 (33%) Adult and Dislocated Worker participants that received services during July 2006 through April 2007. We also interviewed seven participants.

Results

The seven participants interviewed stated that the services they received met their expectations. However, South Bay WIB did not report the program activities for one

(5%) of the 20 participants sampled into the Job Training Automation system as required. This finding was also noted in the prior year's monitoring report.

Recommendation

1. South Bay WIB management ensure that staff update the Job Training Automation system to reflect the participants' program activities.

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's March 2007 bank reconciliation.

Results

Generally, South Bay WIB properly recorded and deposited cash receipts and revenues in a timely manner. South Bay WIB also completed monthly reconciliations of their bank accounts. However, South Bay WIB's management did not sign the bank reconciliations to document their review.

Recommendation

2. South Bay WIB management sign bank reconciliations to document their review.

EXPENDITURES/PROCUREMENT

Objective

Determine whether the program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support eight non-payroll expenditure transactions billed by the Agency for November 2006, totaling \$23,605.

Results

South Bay WIB's expenditures were allowable, accurately billed to CSS and supported by documentation.

Recommendation

There are no recommendations for this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

South Bay WIB maintained sufficient internal controls over its business operations.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

Determine whether South Bay WIB's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section as South Bay WIB did not use WIA funds to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for 12 employees totaling \$5,925 for October 2006 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed the personnel files for five staff assigned to the WIA program.

Results

South Bay WIA did not obtain criminal clearances for all five employees sampled. In addition, South Bay WIB's October 2006 timecards did not support the total payroll expenditures billed to CSS. The unsupported payroll expenditures totaled \$1,175. According to Agency personnel, the overbilling was due to a data entry error. Subsequent to our review, South Bay WIB adjusted their April 2007 invoice to CSS to repay the amount overbilled.

Recommendations**South Bay WIB management:**

3. Obtain a criminal clearance for all employees.
4. Ensure that the hours worked are accurately entered into the Agency's payroll system.

COST ALLOCATION PLAN**Objective**

Determine whether South Bay WIB's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocated shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in November 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

South Bay WIB's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice reconciles to the Agency's financial accounting records.

Verification

We traced South Bay WIB's FY 2005-06 general ledger to the Agency's final close-out invoice for FY 2005-06. In addition, we reviewed a sample of expenditures incurred in May and June 2006.

Results

South Bay WIB's FY 2005-06 general ledger reconciled to the Agency's FY 2005-06 final close-out invoice.

Recommendation

There are no recommendations for this section.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued on May 2, 2007.

Results

The prior year's monitoring report contained five recommendations. South Bay WIB implemented four recommendations. As previously indicated, Recommendation 1 in this report was also noted in our prior monitoring review.

Recommendation

5. South Bay WIB management implement the outstanding recommendation addressed in this report.



SOUTH BAY WORKFORCE INVESTMENT BOARD

MEMBERS

WAYNE SPENCER
CHAIRPERSON

JOE ARO
BRIAN BARKLAGE
PATRICIA BENNETT
SAMUEL BINGHAM
SANDRA BOURASSA
BRENDA BRENT
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MARSHA BRYANT-HURT
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SUSIE YELLOWHORSE-JENSEN

JAN VOGEL
EXECUTIVE DIRECTOR

November 15, 2007

J. Tyler McCauley, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Unit #51
Alhambra, CA 91803
Attention: Yoon Bae

RE: CITY OF HAWTHORNE SOUTH BAY WORKFORCE INVESTMENT BOARD CONTRACT – A COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT PROGRAM PROVIDER (Your ltr, October xx, 2007)

The following information is in response to the City of Hawthorne/South Bay Workforce Investment Board Contract-Workforce Investment Act Programs Final Draft Monitoring Report.

Results

The seven participants interviewed stated that the services they received met their expectations. However, South Bay WIB did not report the program activities for one (5%) of the 20 participants sampled in the Job Training Automation (JTA) system. This finding was also noted in the prior year's monitoring report.

Recommendation

1. South Bay WIB management ensures that staff updates the JTA system to reflect the participants' program activities.

SBWIB Response

The participants' program activity code was entered into the JTA system at the time of the on-site monitoring visit. In addition, we faxed the WIA Registration/Enrollment form to your office, which revealed that the activity code was entered into the JTA system. We feel no other action is required at this time.

Results

Generally, South Bay WIB properly recorded and deposited cash receipts and revenues in a timely manner. However, South Bay WIB's bank reconciliation was not reviewed by management for appropriateness and accuracy as required by the County contract.

Recommendation

2. South Bay WIB management sign bank reconciliations to document their review.

SBWIB's Response

We concur with your recommendation and have requested assistance from the City of Hawthorne Finance Department in resolving this issue.

Results

South Bay WIB's employee timecards did not support the total payroll expenditures billed to CSS for October 2006. The unsupported payroll expenditures totaled \$1,175. According to Agency personnel, the overbilling was due to a data entry error. Subsequent to our review, South Bay WIB adjusted their April 2007 invoice to CSS to repay the amount overbilled.

In addition, South Bay WIB did not obtain criminal clearances for all five employees sampled.

Subsequent to our review, South Bay WIB credited DCSS and reallocated the tuition expense in excess of the maximum to the City of Hawthorne's general fund.

Recommendations

South Bay WIB management:

3. Obtain a criminal clearance for all employees.
4. Ensure that the hours worked are accurately entered into the Agency's payroll system.

SBWIB's Response

We are no longer contracted with LA County Community and Senior Services (CSS) Workforce Investment Act (WIA) Program; however, upon receipt of a new contract we will ensure that all individuals charged to that contract have criminal clearances. We concur with your recommendation and will ensure that the hours worked are accurately entered into the payroll system in the future.

Results

The prior year's monitoring report contained five recommendations. South Bay WIB implemented four recommendations. As previously indicated, Recommendation 1 in this report was also in our prior monitoring review.

Recommendation


5. South Bay WIB management implemented the outstanding recommendation addressed in this report.

SBWIB's Response

We feel that this recommendation has been addressed and no further action is required as noted in Recommendation 1 of this report. It should be also be noted that only one case file out of 20 case files had the participant program activity code missing which indicates this was an oversight.

If you have any questions regarding these responses, please contact me at (310) 970-7700 or James "Jimmy C" Carradine at the same number.

Sincerely,



Jan Vogel
Executive Director